

**CATAWBA COUNTY, NORTH CAROLINA**  
**May 17, 2010**

Ladies and Gentlemen:

I hereby submit my recommended Catawba County Fiscal Year 2010/11 budget in the amount of **\$202,234,759**, maintaining the current property tax rate of \$0.5350 per \$100 of valuation. This will be the fourth year without a property tax increase, as promised with the passage of the ¼ cent sales tax. The budget is balanced and prepared in accordance with the Local Government Budget and Fiscal Control Act, and 18.7 percent less than the current year budget.

Statewide, local governments and their citizens have been hard hit by the economic recession. In Catawba County, sales tax and state revenues have decreased, while property tax collections are running almost even with last year and motor vehicle values are down substantially. The budget addresses these impacts through conservative revenue estimates and holding the line on spending.

Over the past two years, the County has proactively managed its resources in order to live within its means and ensure that impacts to citizens are minimized.

- Two fiscal years ago, County departments reverted 2 percent of their total budgets--\$1 million--and targeted reductions were made to Building Services, Social Services, and Public Health in response to lost revenue. The public schools and community college were held harmless and not reduced.
- One year ago, the approved budget decreased County operations 4 percent.
- The State budget wasn't adopted until August, 2009, and required additional targeted reductions to Social Services and Public Health last fall.
- Cumulatively, during the past two years, budget reductions of \$6.5 million have been made, impacting 72 positions.
- Starting in December, 2009, departments, outside agencies, and schools were asked to hold 2 percent in response to sales tax losses that appeared to be exceeding our planned loss, and the County is now claiming this 2 percent, or \$1.8 million.

During the past two years, budget reductions of \$6.5 million have been made, impacting 72 positions.

Unfortunately, Fiscal Year 2010/11 does not bring budgetary relief, causing the County to not only continue previous reductions, but to look for further cutbacks. Overall County operations only increase 1 percent. The total budget decreased by \$46.5 million as a result of reduced capital projects. The recommended budget meets the Board of Commissioners' goal of maintaining services and momentum as much as possible without a property tax increase. This is accomplished through the following actions:

- County departments cut 2 percent or \$1 million from their base budgets.
- Additional targeted reductions:
  - Building Services abolished a Permit Center Specialist and another building inspector saving roughly \$57,000; this brings the total to eight positions reduced over the past two years.
  - Libraries hours are reduced by 22 system-wide, for a reduction of \$216,000
  - Parks hours are reduced from 6 days per week to 4 days per week, saving roughly \$74,000
- Funding for 39 positions is eliminated from the budget.
- Investments in technology have enabled us to save money on office space and to increase productivity.
- No new County programs are recommended.
- No cost of living or performance pay increase for the second year in a row for County employees.

### OUR LOCAL ECONOMY

The latest unemployment numbers indicate Catawba County's unemployment rate is 14.0 percent with 10,443 people seeking employment. This rate is down from a high of 15.3 percent in February 2010. Hopefully this 1.3 percent reduction in the unemployment rate is a positive sign for the local economy as economists note that unemployment numbers typically spike just prior to economic recovery, due to discouraged workers re-entering the job market.

#### Investments in our local economy pay dividends

The County's investment in funding 51.5 percent of the Economic Development Corporation (EDC) continues to benefit our local economy. The EDC was actively involved in several significant projects during the past several years. Between 2007 and 2009, 3,378 new jobs were created or announced, and will be filled over the next five years, which should help mitigate jobs lost during the recession.

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Economic development projects during this same time resulted in the announcement of \$1.11 billion of new investment. Some highlights of these investments include:

- Apple committed to spend \$1 billion or more within 10 years, and create and maintain 50 direct jobs and approximately 250 indirect jobs.
- Ethan Allen Interiors' agreed to invest \$1.5 million in new personal property and \$750,000 in real property investment at the Maiden facility. The expansion project includes the consolidation of several domestic and foreign facilities into Ethan Allen's manufacturing facility in Maiden. This will result in at least 152 net new jobs and reinstatement of 150 positions from which employees had been laid off over the last year.

- Fiserv committed to a \$4.9 million project that will create 419 customer service jobs supporting the financial services industry over the next 3 years.
- Turbotec Products' committed to purchase a 100,000 square foot manufacturing facility in the Fairgrove Business Park to expand the company's Hickory facility, resulting in a \$3.5 million investment over the next 2 years. In addition to the 16 people currently employed at its existing Hickory location, Turbotec plans to create 73 new jobs.
- Pierre Foods' received \$19 million in Recovery Zone Facility Bonds for an expansion project to the company's existing Claremont facility. The project retains Pierre's current employment of 717 and creates 500 new jobs. At 1,217 employees, Pierre Foods would be one of the top five private employers in the county.

*27% of the total 2009 investment announced in the State of North Carolina was in Catawba County.*

Other investments in the community that help promote the County and stimulate the local economy include support of the Convention and Visitors Bureau, the Chamber of Commerce Visitor Information Center, and the sixth year of the Greater Hickory Golf Classic, which has an economic impact of about \$35 million annually in our county. Funds are included for the County's share of the most recent expansion of the Hickory Metro Convention Center, which brings money to our local economy through the promotion of conventions and conferences. The budget also continues to reserve a portion of the ¼ cent sales tax revenue toward economic development including support for a multi-jurisdictional park. All of these investments help to meet the Board of Commissioners' goal of remaining aggressive in recruiting most favored industries to the area.

## REVENUE HIGHLIGHTS

### Property Tax

The projected tax base for Fiscal Year 2010/11 is \$15.16 billion and includes real property, personal property, and vehicles. This budget maintains the property tax rate of \$0.5350 per \$100 of valuation, which is the 8<sup>th</sup> lowest tax rate of the 25 urban counties -- those with a population over 100,000 -- and the 31<sup>st</sup> lowest of all 100 counties in North Carolina. With the exception of fees for services and the recently approved ¼ cent sales tax, the property tax remains the only substantial source of revenue the North Carolina General Assembly allows the Board of Commissioners to control in order to provide services. The County's property tax rate is one-third of the amount allowed by the North Carolina Constitution.

The budget projects property tax to be essentially flat for Fiscal Year 2010/11. While real property, business personal property, and public utilities values are projected to grow by a combined .66 percent, the County has lost approximately 4 percent in its motor vehicle tax base. This reduction appears to be caused by people holding onto older vehicles longer and disposing of some older second vehicles. Although the real property collection rate has fallen

over the last several years, collections in the current fiscal year have tracked closely to last fiscal year, and prior year collections are up significantly thanks in large part to concerted efforts by the Tax Department. Through April, we had collected 98.7 percent of the Fiscal Year 2008/09 levy and 99.44 percent of the Fiscal Year 2007/08 levy. Motor Vehicle collections are lagging behind last fiscal year by 1 percent.

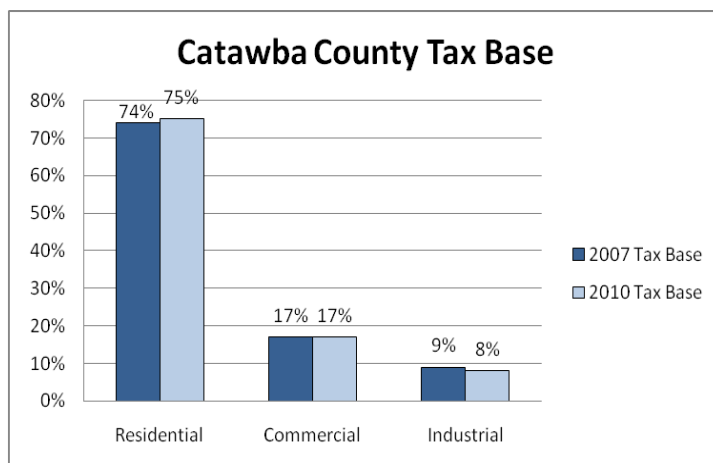
The County is in the final year of analyzing the market to set new property values effective January 1, 2011. State law mandates that local governments revalue property at least every eight years. Catawba County decided years ago to reappraise every four years, in order to lessen the potential impact of dramatic value changes and avoid the loss of revenue from public utility appeals allowed under State law. Unlike many local governments that have decided to postpone revaluations due to the economy, we have decided to proceed with our normal schedule of reappraisal, even if it means lower values and less revenue for the County.

The County's property tax base is approximately 75 percent residential, 17 percent commercial, and 8 percent industrial. Overall, the Catawba County real estate market has experienced a relatively flat appreciation rate when compared with current tax values established in 2007. Early 2011 projections indicate the following change in property tax values compared to 2007 values:

- residential is averaging 2 percent more than 2007 values;
- commercial property is averaging 5 percent less than 2007 values; and
- industrial property is averaging 13 percent less than 2007 values.

At this point, the net overall anticipated increase in property valuations for Catawba County should be an approximate one-half of one percent. However, final values will not be established until later this year.

The 2009 Sales Assessment Ratio study conducted and reported by the North Carolina Department of Revenue shows a ratio of 97.85 percent for Catawba County based on a random sampling of all property sales. The ratio in 2008 was 97.41 percent. This 0.44 percent increase in ratio reflects a continued slight decline in sales prices as compared to the year prior. Although the ratio has increased, it still indicates that property in the County is selling on average 2.15 percent above 2007 tax values and is in line with the early revaluation findings of minimal average change.

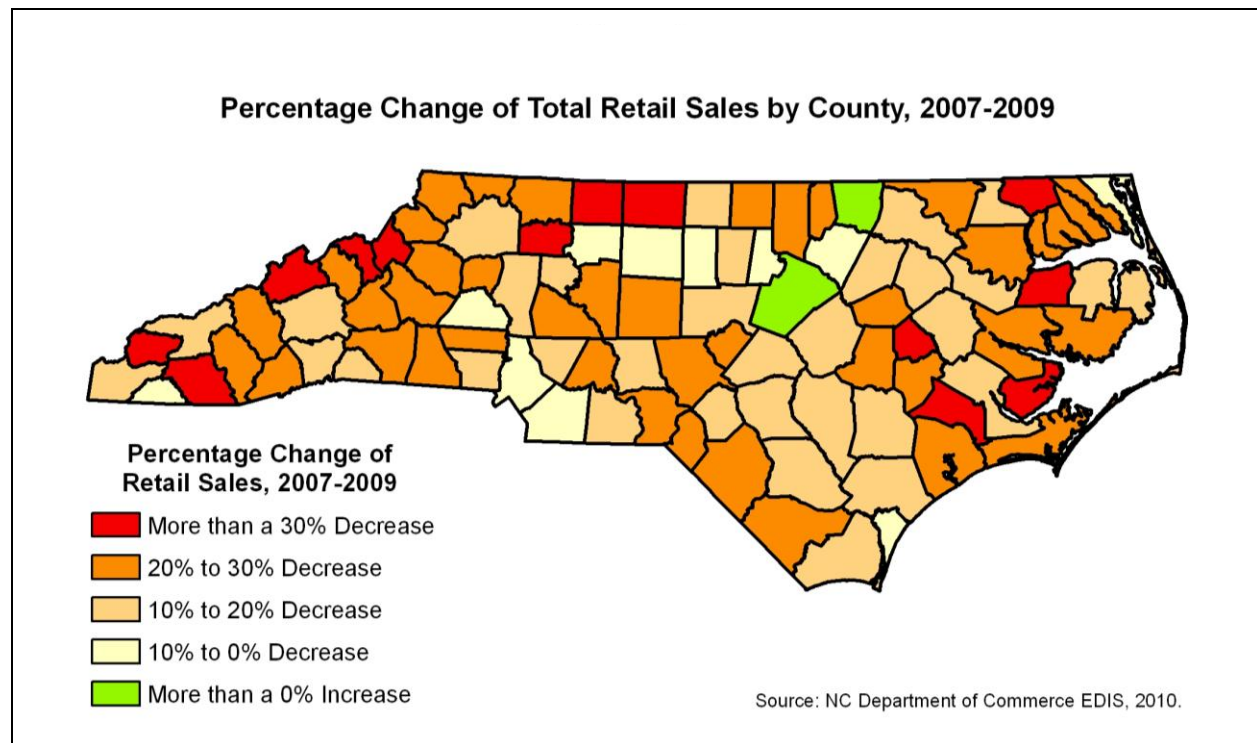


## Sales Tax

Catawba County receives 2 ¼ cents of the total sales tax rate of 8 cents. The County is required to share proceeds from the first two cents with the municipalities on a per capita basis. The remaining ¼ cent, approved by voters in a November 2007 referendum, is dedicated to a Justice Center expansion/new Public Safety Center, water and sewer infrastructure, schools current expense, and economic development.

*Catawba County receives only 2 ¼ cents of the total sales tax rate of 8 cents.*

Statewide, sales tax revenues have declined, reflecting a reduction in retail sales. Fortunately, Catawba County has experienced a smaller decline than many other local governments throughout the state. With our loss of 9.4 percent between 2007 and 2009, we are 1 of only 11 counties in the state to experience less than a 10 percent loss in retail sales during this time period. Comparatively, the other counties in the Hickory Metropolitan Statistical Area (MSA) did not fair nearly as well, with losses in excess of 20 percent (Alexander 26.9 percent, Burke 28.8 percent, and Caldwell 22.5 percent). Catawba County sales make up over roughly 63 percent of the total \$3.7 billion retail sales in the MSA.



It appears we are beginning to see signs of recovery in retail sales. Nationally sales are up 5.7 percent for the year. North Carolina appears to be following suit with this trend, although slowly. We planned for sales tax losses of up to 10 percent with the Fiscal Year 2009/10 budget and to date we are only down 5.5 percent. The North Carolina Association of County Commissioners (NCACC) is advising counties to plan for 1-2 percent growth, and the Governor is

projecting 1.5 percent sales tax growth in her proposed budget. Based on our experience this year, we are again choosing to budget very conservatively for only 1 percent growth.

The budget also reflects the final loss of ½ cent sales tax to the State as part of a three-year phase in of Medicaid Relief. Counties also have to hold cities harmless for losing the ½ cent since they had no responsibility for Medicaid costs. This came at an extremely good time as the economy has weakened sales tax revenues while driving Medicaid costs to an all time high. Overall this swap has saved the County a projected \$3 million to date.

### **State Revenue Losses**

The State of North Carolina biennium budget approved in August 2009 cost the County over \$2.5 million:

- State corporate income tax distributions to counties (referred to as average daily membership (ADM) funds) to help fund school capital needs were suspended for two years, costing the County \$1.3 million.
- Social Services was particularly hard hit with roughly \$500,000 in reductions, affecting programs such as Family N.E.T., Smart Start, social workers in schools, group homes, and direct aid, at a time when all service demands for the agency are increasing.
- Public Health sustained losses of just under \$300,000 to programs such as school nurses and school health assistants, dental education, and Health Check.
- Beer and wine tax revenue totaling \$245,000, or 2/3<sup>rd</sup> of the local distribution, was diverted to the state.
- Local jail misdemeanor reimbursements of \$18 per day, or \$185,000 per year, for inmates serving local sentences up to 90 days were eliminated.
- Court facility fees were taken, totaling 10 percent, or \$25,000.

The State is just beginning to work on its budget this year and, unlike local governments, frequently does not have an adopted budget by July 1, making it difficult to know the potential impact on local budgets. Several proposals, which would either decrease revenues further or shift the cost burden to local governments, have already surfaced, as follows:

- Requiring counties to pay for state required jail inspections, estimated at \$8,000.
- Increasing the number of days an inmate can serve locally from 90 days to 180 days, estimated to cost \$500,000.
- Eliminating local reimbursements for state prisoners held awaiting transfer to a state facility, an estimated loss of \$90,000.
- Diverting local lottery funds from schools construction to replace state reductions in annual operating budgets, a loss of \$1.5 million annually.
- Reducing funding to Public Health for Environmental Health and Adolescent Health, costing \$18,000.
- Reducing funding to Social Services including Adult Services, Children's Services, Medicaid reimbursement, Child Care, and Child Support costing \$200,000.
- Changes are also being considered to the ABC system which could reduce our local revenue. We currently receive \$1 million.

We urge the State of North Carolina to leave County revenues alone, and not pass any additional mandates without the resources necessary.

## Other Revenues

Building permits have declined substantially. Since 2007, the total value of single family construction in the Hickory MSA declined 67 percent from \$329 million to \$107 million in 2009. Catawba County has been hit particularly hard during this period with a 74.9 percent reduction, falling from a high of \$179 million to \$44.9 million. Total building permit revenue declined \$1.4 million during Fiscal Year 2008/09.

*Projected revenue for Fiscal Year 2009/10 is expected to improve \$500,000 from the prior year thanks in large part to construction of Apple, Inc.*

Projected revenue for Fiscal Year 2009/10 is expected to improve \$500,000 from the prior year thanks in large part to construction of Apple, Inc. in Maiden. Next year building permit revenue is projected to remain relatively flat. The County's policy for Building Services is that it will pay for itself through permit revenue. Accordingly, 7 Building Inspector positions and 1 Permit Center position have been reduced over the past two years.

Real estate excise tax revenue has decreased 37 percent over the past two years as a result of the economy. This revenue is budgeted to remain flat next fiscal year.

Ambulance revenues continue to increase at an average growth rate of 7 percent over the past 2 years. This growth is driven by calls for service which have increased 4.5 percent.

With local revenues lagging, Catawba County has been aggressive and very successful in obtaining grant funds over the years. During the current year, the County has received almost \$13 million in grant funds, of which \$3.5 million was American Recovery and Reinvestment Act (ARRA) funding. These funds have enabled the County to save local tax dollars in some cases, such as water and sewer, and expand services in others, such as the addition of an investigator to the Sheriff's Department Domestic Violence Unit, or 800 megahertz radios for public safety personnel.

## EXPENSE HIGHLIGHTS

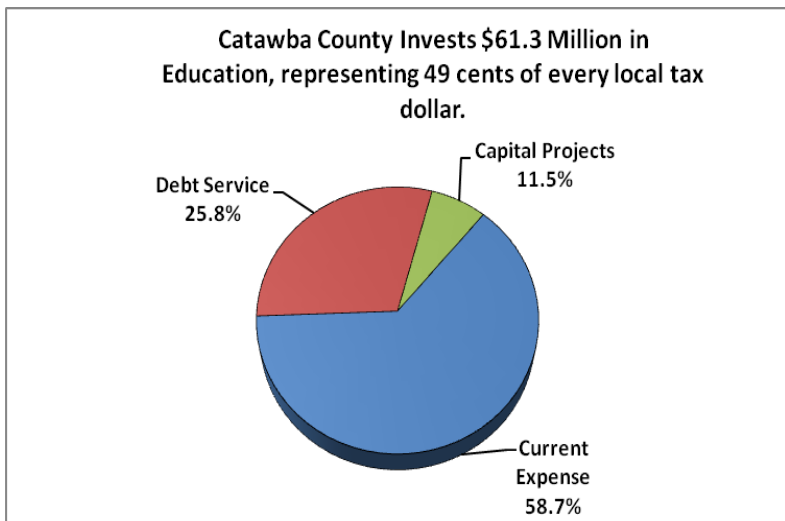
County operations increase by only 1 percent, following a 4 percent reduction one year ago and reductions during the past year. The total budget decreased by \$46.5 million as a result of reduced school and County capital projects financed this past year.

## Education

Education continues to represent the largest portion of our local budget, with 49 cents of every dollar of property and sales tax revenues pledged for the instructional costs and capital needs of our three school systems and CVCC. State certified enrollment numbers for the three school

systems project a total student population of 24,554, which is an overall decrease of 32 students next year. State certified student enrollment numbers for Catawba County Schools decreased by 103, Newton-Conover City Schools increased by 80, and Hickory Public Schools decreased by 9.

Funding the cost of school operations is clearly the responsibility of the State, but the General Assembly does not adequately fund public schools. To pay for local teaching positions, teacher supplements, utilities, and other operating expenses, the County provides



supplemental funds which now exceed \$35.1 million. The County is required by the State to fund each school system an equal amount per pupil. This budget funds each school system at the rate of \$1,433 per pupil. Included in this amount are funds for programs jointly operated by the three school systems – the Adolescent and Children in Treatment (ACT) Program, Catawba Valley High School, the Conover School for exceptional children, Community Schools, the school bus garage, the early college program at Catawba Valley Community College (CVCC), and Challenger High School. The budget also continues the equivalent of a penny of the property tax – \$1.5 million – to fund technology for all three school systems.

The budget also continues to provide current expense funding to CVCC with \$3,500,000 next year. Our goal is to improve the County's ranking in community college funding to within the top 15 counties in the state. In Fiscal Year 2009/10, we increased funding by \$200,000 which moved us from 19<sup>th</sup> to 18<sup>th</sup> in funding out of 58 community colleges. Barring any major changes in funding for other community colleges, next year's funding should improve this ranking to 17<sup>th</sup>.

Local dollars are also used to pay for annual capital needs for the three school systems and CVCC. Projects are largely focused on energy saving improvements and roofing. School capital projects in the annual capital outlay budget total \$3,235,592 as follows:

#### **Catawba County Schools**

- Purchase Property for Foard Area Elementary School (\$500,000) – This project funds land for a new elementary in the future to address growth.
- Roofing (\$140,000) – The 1973 addition to Bunker Hill High School needs a new roof (\$50,000). The gym lobby area roof at Bandys High School needs to be replaced (\$40,000). Various system-wide roofing needs will also be addressed (\$50,000).
- HVAC Control System Upgrades (\$275,000) – Funds are included to upgrade the HVAC systems at Mt. View, Claremont, and Maiden Elementary Schools plus Bunker Hill and Bandys High Schools. The upgrades will improve energy efficiency.



- Chiller Replacement Maiden Middle School (\$100,000) – The existing chiller is over 35 years old and in need of repair almost annually. This project would save repair expenses and improve energy efficiency.
- Window Replacement Startown Elementary School (\$20,000) – This project would improve energy efficiency with an anticipated payback of 5 years.
- Convert Heat from Oil to Gas at Sherrills Ford & Lyle Creek Elementary Schools (\$80,000) – This project would improve energy efficiency with an anticipated payback of 5 years and is primarily funded by closing a variety of smaller projects for which work is complete.
- Convert electric boiler to oil Catawba Elementary School (\$100,000) – This project would improve energy efficiency with a payback of less than 5 years.
- Increase Stacking Area – Banoak Elementary & Balls Creek Elementary Schools (\$50,000 each) – Traffic is backing up into the highway at both of these schools when parents are coming to drop off and pick up students.

### **Hickory Public Schools**

- Roofing (\$614,000) – The Catawba Valley High School roof is almost 30 years old and has already been patched several times already (\$430,000). The Longview Elementary School roof is over 28 years old and has been patched several times (\$134,000). Repairs are needed to the roof of Oakwood Elementary (\$50,000).
- Replace carpet with tile in elementary classrooms (\$106,325) – Viewmont, Oakwood, Southwest, and Longview have rippled carpet in the classroom that is considered a safety hazard. The carpet has been stretched multiple times already.

Hickory Public Schools benefited in the current year from additional County funds to complete the asbestos removal project at Hickory High School.

### **Newton-Conover City Schools**

- Roofing (\$320,000) – This is the 3<sup>rd</sup> year of a three year plan to address roofing needs for the system, including the high school office, warehouse, and system-wide. This project is partially funded by a completed renovation project at Newton Conover High School.
- Upgrade Middle School to Elementary School (\$300,000) – Funds from annual capital have been phased in over a 3-year period to convert the current middle school to an elementary school once the new Newton-Conover Middle School is occupied.
- Title IX Softball Field Improvements at Newton Conover High School (\$24,267) – Based on findings of a civil rights audit under Title IX, the system is being required to build a press box, add irrigation, batting, cages, and bleachers for 300 spectators to the softball field. This project is funded by other closed projects.
- Gas Pack Units Newton-Conover High School (\$36,000) – Funds will be used to purchase 2-10 ton units for the math wing needed to operate the heating system at the high school.

The Capital Outlay Budget also includes \$50 per pupil, a total allocation of \$1,277,700, for small capital and repair needs costing less than \$12,500. The individual school systems decide how

these funds will be spent throughout the year. In addition, the County funds half of the cost of a construction project manager for Catawba County Schools and a shared construction project manager for Hickory Public Schools, Newton-Conover City Schools, and CVCC. These positions provide support in monitoring current construction projects to keep them within budget, ensuring compliance with building code requirements, processing change orders, and working with the schools to ensure that the projects meet their needs. The Project Managers also assist the schools with developing annual capital and 8-year plan requests.

Capital projects totaling \$500,000 are included for CVCC to help the college make needed upgrades to its campus. Projects include funding for general renovations; boiler, cooling tower, and HVAC replacements for the Administrative Building.

The budget continues debt commitments for school construction with over \$18 million budgeted in Fiscal Year 2010/11. No new construction projects are planned next year. As debt is retired the dollars committed to school debt are reserved for future school building projects. It is anticipated that roughly \$50 million in new projects can be funded without a tax increase over the 2012 to 2016 period, assuming the State doesn't take local lottery proceeds or other local revenues.

## **PUBLIC SAFETY**

### ***Infrastructure:***

- A portion of the ¼ cent sales tax proceeds will fund a Justice Center expansion and a new Public Safety Center, and the budget continues to reserve funds for future debt payments. The Justice Center expansion would add more space for courts and court related functions, the first expansion in over 30 years. Technology improvements to the courtrooms are also planned. Plans for the Public Safety Center include a new 911 Emergency Communications Center and Emergency Operations Center (EOC) and relocation of the Newton EMS Base and EMS Administration. Programming has started, and the County is retaining an architect to evaluate whether there should be two facilities or a single expansion of the Justice Center.
- Jail Expansion – With the 2007 Jail expansion, the County planned for future needs by building core infrastructure such as a kitchen, sally port, and video visitation large enough to accommodate future bed expansions. Our investment at the Burke-Catawba District Confinement Facility (BCDCF) continues to pay dividends by enabling us to build and staff fewer beds at the Newton jail now. The inmate population continues to rise approximately 3 percent annually. As a result, it is anticipated we could again reach our capacity in the Catawba County Detention Center and the BCDCF by Fiscal Year 2014/15. A 128-bed expansion is planned for that year at the County's Detention Facility, with operations beginning the following year. In the meantime, we are renting beds to the Federal government and to Burke County and banking the proceeds to help fund the expansion and reduce costs to taxpayers. To date \$550,000 has been accumulated with another \$250,000 planned in Fiscal Year 2010/11.
- Jail Diversion - To alleviate jail space needs, the budget continues funding for jail diversion efforts including Electronic House Arrest (EHA), Pretrial Services, and a

contract with Repay for justice system coordination. During the current fiscal year, justice system coordination services produced the following improvements in the courts:

- Made technology available in the courtroom.
  - Helped move 17 individuals through the system that had been incarcerated for at least 6 months.
  - Identified 12 individuals being held under bond for cases that had been dismissed.
  - Facilitated dismissals of 26 cases that were old and had little or no contact information in order to proceed with prosecuting.
  - Speeded adjudication by assisting 89 inmates in getting court appointed counsel sooner.
  - Located and served 118 warrants.
  - Connected 3 inmates who had severe mental health issues with further assistance.
- Bandys Fire Station 2 – The County continues to implement the Emergency Services Plan to develop cooperative arrangements to best meet the needs of the citizens. Funds were set aside in the current year and this budget to build an addition to the Bandys Fire Station 2 for an ambulance bay. This addition builds on the successful models already implemented in Sherrills Ford and Oxford. Emergency calls in the Bandys area have increased by 35 percent in 3 years, and the Bandys area is the largest area of the County than an EMS unit cannot get to from existing bases within an average of 8 minutes.. The Western Piedmont Council of Governments has forecast that the Bandys area will grow by 16 to 20 percent in the next 8 years.
- Animal Shelter Renovations and Expansion – The Catawba County Animal Shelter provides service for the County and its 8 municipalities. The current Animal Shelter is over 20 years old and is averaging 200 animals per day or 2 ½ times its capacity of 78. It was not designed to meet the current capacity of animals being housed or the newest treatment options, resulting in the need to euthanize an increasing number of animals, now averaging 20 per day. There is no separate entrance for animals that are surrendered by owners, so the public and animals use the same entrance. Both of these factors increase the chance of transmitting diseases within the general animal population and lead to the need to euthanize animals that might otherwise have been adoptable. The current facility lacks adequate office and storage space for perishable food items and other equipment necessary to operate. There is also no space for officers to meet with citizens in a private area. Because of inefficient design, the Shelter requires constant cleaning with at least two staff members to meet State requirements, and the constant moving of animals in the current Shelter puts staff at increased risk for bites. The Board of Commissioners has authorized the design of additions and renovations to the Animal Shelter. The design will be done in a way to ensure that the

*The current Animal Shelter is over 20 years old and is averaging 200 animals per day or 2 ½ times its capacity of 78.*

new construction and renovations could be accomplished in a phased manner over the next 20 years if needed.

***Equipment:***

Public Safety agencies use a variety of equipment that is critical to providing services to citizens. The budget includes 4 replacement ambulances, 17 replacement law enforcement vehicles, and a jail van. These units all have high mileage which creates concerns over their reliability and safety for use in emergency operations.

The budget provides new 800 MHz radios for public safety personnel. One of the major problems identified in the 9/11/2001 tragedy was the inability of public safety agencies to communicate with each other because radio systems were not interoperable. Catawba County has been phasing in an interoperable 800 MHz public safety communications network for the last several years by capitalizing on partnerships with other local jurisdictions and the North Carolina State Highway Patrol (NCSHP), including actively pursuing State and Federal grant funds. In Fiscal Year 2009/10, we were successful in helping the rural fire departments obtain an Assistance of Firefighters grant that will equip fire, rescue, and EMS with needed radios. The grant requires a 20 percent match, of which, the County will provide 15 percent and the other agencies will provide 5 percent. The 15 percent match the County will provide is less than the cost of completely supplying EMS with radios outside the grant, allowing more agencies to use the 800 MHz system sooner. The Sheriff's Office has also received approval for a grant from the North Carolina Governor's Crime Commission to purchase 94 portable radios through a 50/50 matching grant, saving the County \$121,624. These funds will complete the purchase of portable radios which will allow all public safety agencies access to the 800 MHz system. Portable radios will be used to test coverage and functionality so targeted purchases of mobile radios, which are more expensive, can be made.

**Targeted Reductions: Building Services, Libraries, and Parks** The budget targets deeper reductions in order to maintain education and public safety services.

***Building Services***

Building Services workload continues to decrease. The following table compares the primary activities performed by the division from Fiscal Year 2007/08 to Fiscal Year 2008/09 and through the second quarter in Fiscal Year 2009/10. Permits, Inspections, and Plan Review activities have all experienced declines.

<b>Building Services</b>	<b>2007/08</b>	<b>2008/09</b>	<b>Increase/ Decrease</b>	<b>First 2 Quarters 2008/09</b>	<b>First 2 Quarters 2009/10</b>	<b>Increase/ Decrease</b>
<b>Total Number of Permit Issued</b>	<b>9,500</b>	<b>7,431</b>	<b>-21.8%</b>	<b>3,983</b>	<b>3,537</b>	<b>-11.2%</b>
<b>Building Permits Issued</b>	<b>2,468</b>	<b>1,827</b>	<b>-26.0%</b>	<b>944</b>	<b>906</b>	<b>-4.0%</b>
<b>Inspections Made</b>	<b>41,975</b>	<b>30,307</b>	<b>-27.8%</b>	<b>18,791</b>	<b>14,264</b>	<b>-24.1%</b>
<b>Plans Reviewed</b>	<b>1,031</b>	<b>699</b>	<b>-32.2%</b>	<b>434</b>	<b>390</b>	<b>-10.1%</b>

In order to remain self-funded, the Utilities & Engineering Department reduced six positions over the past two years. The budget cuts over \$57,000 more within Building Services, which is a 4 percent reduction. The majority of these decreases were related to two additional personnel cuts. Overall, there will be 5 abolished positions and 3 unfunded positions in Fiscal Year 2010/11. The remaining inspectors are averaging 11.69 inspections per day, so we are at the high end of productivity. The North Carolina Department of Insurance recommends that building inspectors perform between 8 and 12 inspections per day. Thanks to implementation of mobile technology, our inspectors are able to carry a workload range between 10 and 14 inspections per day. Staffing will not be added back until the number of inspections per day is consistently at or above 14 and revenue is available.

### ***Library***

Library usage was reviewed in order to strategically reduce hours while limiting the impact on services to citizens and generating significant cost-savings for the County. Library programs are reduced system-wide by 22 hours at Main, St. Stephens, and Southwest branches. The reduction in hours will eliminate Sunday hours previously provided at these three branches from 2:00 – 6:00 pm during the months of September thru April. Programs and other hours impacted by branch include:

- Main: Eliminates 6 literacy enrichment activities for teens, the updating of digital copies of family files, and reduces workshops teaching digital literacy skills from 24 to 12. This branch will open 2 hours later on Mondays and Thursdays and close 2 hours earlier on Tuesdays and Wednesdays
- St. Stephens: Eliminates 6 Library tours/programs for school groups, eliminates 4 education programs for teens, and reduces books to day care centers from 4,300 to 2,000. This branch will open 1 hour earlier on Mondays and Tuesdays and close 4 hours earlier on Saturday.
- Southwest: Reduces reading enrichment programs from 5 to 3. This branch will open 1 hour earlier on Mondays and Tuesdays and close 4 hours earlier on Saturdays
- Sherrills Ford: Eliminates toddler music play program and reduces reading enrichment programs from 5 to 3. Hours are unchanged at this branch
- Maiden: Reduces reading enrichment programs from 5 to 3 and reduces educational programs for teens from 4 to 3. Hours are unchanged at this branch.

The reduced hours resulted in a 10 percent decrease in funding for Fiscal Year 2010/11, or roughly \$216,000, eliminating 5 positions and also ending the use of part-time staffing.

### ***Parks***

Bakers Mountain and Riverbend Parks are decreased from 6 days per week operation to 4 days per week. These two parks plus St. Stephens Park will now be open Friday thru Monday from 9 am to 5 pm October thru February, and 9 am to 6 pm March thru September. While this will limit access to the County's parks for some patrons, but the County remains committed to serving schools groups at the same level as previous years, and, staff will work with schools to make arrangements for special programs on non-operating days. The reduction in hours will result in the elimination of a vacant full-time position and six part-time employees. As a result of the proposed budget cuts, staff will operate

the three parks on a 40-hour per week average schedule. Overall, the Parks budget is decreased \$74,000, or 21 percent, from Fiscal Year 2009/10.

## **TECHNOLOGY**

The County continues to invest in technology designed to improve staff's ability to deliver service to the public and improve overall efficiency. The implementation of online payments as well as in-person debit and credit card payments for selected Catawba County departments was completed in July 2009, and online permitting options were completed in December 2009. Property taxes have been collected by debit/credit online or in-person since June 2008, with over \$3 million collected to date and over \$1.5 million in online checks.

The County strategically allows or assigns County employees to work away from an office environment, which keeps them in the field more hours, reduces office space and cost, and provides better service to the public. To date, funding mobile applications has produced the following benefits:

- Each front-line EMS unit now has a GPS unit, and second line vehicles are being equipped. Once all vehicles have this technology, the 911 Emergency Communications Center will be able to dispatch the unit closest to a call rather than simply dispatching based on pre-established response zones. This technology, on average, has reduced response times around the country by six seconds.
- Sheriff's deputies use laptops with air cards in vehicles to send incident, arrest, and supplemental reports. Officers can also receive email, fill out timesheets, and use the internet for crime data while in the field. This technology has increased patrol time by an estimated two hours per day per officer.
- Building Services uses laptops and air cards to perform building inspections, which has given the division the capacity to conduct a total of 22 more inspections per day.
- Public Health uses mobile technology for Environmental Health, School Nurses, and Home Health Nurses. This enables staff to stay in the field performing their jobs instead of in the office and reduces the demand for office space by allowing workers to more easily share smaller areas when they do have to come to the office.
- Maintenance employees can now receive and update status of work orders using Blackberry phones in the field, instead of returning to the office. This technology is saving each worker roughly an hour per day and has allowed the department to become virtually paperless.
- Fire/Rescue Services can access inspection history, permit information, and complete inspections forms from their vehicles. Fire software was upgraded to a product that will better integrate electronically with products used by the cities and volunteer fire departments saving man hours in combining data.
- Social Services has 36 employees in areas such as Family N.E.T., Adult Services, Children's Services, Family Support Services, and Child Support that work from home part of the week, reducing demand for office space.

- The Mobile Command Post has proved valuable when deployed by allowing public safety agencies to operate in the field as if in the office. Through the use of internet access, satellite phone and television capabilities, topographical plotting and printing capabilities it can even serve as a temporary remote 911 Emergency Communications Center.

The County's Technology Department is in the process of purchasing a new version of mobile software that will be more efficient and expand functionality by providing us with Virtual Desktop Infrastructure (VDI). The initial goal is to provide a mobile solution to the 911 Communications Center that will allow telecommunicators to operate the 911 Center in the case of disaster anywhere they have an internet connection and a computer.

## HUMAN SERVICES

### ***Public Health***

The Public Health Department's Fiscal Year 2010/11 budget reflects a 6.5 percent increase over Fiscal Year 2009/10. This increase was driven by new staffing funded through additional federal and state revenue. The increased funding and staffing levels were necessary because Public Health has experienced increased demand over the past two years, as follows:

- Child Health/Immunization caseload has increased 82 percent
- Dental client caseload has increased by 29 percent
- Women Infants and Children (WIC) caseload has increased by 3.5 percent
- Home Health nursing caseloads have increased by 22 percent

Home Health services are driving the majority of the budget increase in Fiscal Year 2010/11. Home Health nursing caseloads have increased by 11 percent in just the past year, which is on top of an 11 percent increase in nursing caseload during Fiscal Year 2008/09. In order to keep up with rising demand, Home Health filled two vacant nurse positions during Fiscal Year 2009/10 and funds were also added to purchase additional medical supplies. The recommended budget includes one additional Home Health nurse position as well as a clerical staff member. In total, Home Health's recommended budget is approximately \$500,000 more than the approved Fiscal Year 2009/10 budget, but all expenses are offset by collected revenues.

Public Health has experienced reductions in Medicaid rates, including a 19.4 percent targeted reduction in the area of case management. Due to State funding reductions, Hickory Public Schools ended the School Health Assistants contract and Catawba County Schools was forced to eliminate two nurse positions in Fiscal Year 2009/10. Moreover, additional changes are planned in the area of Child and Adolescent Health as Public Health seeks to partner with a private producer to enhance

*Despite reductions in the School Nurse Program, the County is close to meeting the FORESIGHT goal of having a nurse for every 1,000 students.*

services in the community. Despite reductions in the School Nurse Program, the County is close to meeting the FORESIGHT goal of having a nurse for every 1,000 students. The combined ratio for Fiscal Year 2010/11 is projected to be 1:1,068 with individual school systems as follows: Catawba County Schools 1:1,150; Hickory Public Schools 1:879; and Newton-Conover City Schools 1:970.

### ***Social Services***

During Fiscal Year 2009/10, the Department of Social Services met unprecedented challenges, which resulted in mid-year budget reductions of roughly \$1 million, half of which were due to State revenue reductions. ARRA funding has provided some relief, though only temporary. At the same time, Social Services has been faced with unprecedented service demands. Over the past two years service demand has increased as follows:

- Crisis Assistance applications increased 103 percent.
- Food assistance applications increased 32 percent.
- Family Medical applications increased 31 percent.
- Adult protective services reports increased 60 percent.

Social Services' Fiscal Year 2010/11 budget decreased approximately 2 percent from the current fiscal year. As of October 1, 2010, the stimulus funding received for Day Care Subsidy, Food and Nutrition administrative support, and prevention efforts will be eliminated, unless there is an unexpected extension or reauthorization of funding. The Department expects to lose an additional 3-5 percent of funding from the State at minimum in Fiscal Year 2010/11, and will use reinventing surplus to maintain service levels.

Social Services continues to coordinate efforts to help Catawba County citizens become self-sufficient, even during a struggling economy. This is being done by providing assistance in various areas including day care, transportation, nutrition, counseling, child support, medical coverage, and linking people with training through CVCC and Vocational Rehabilitation. Additionally, the subsidized employment program (which began in March) will continue through at least September. This program enables Social Services to find work for citizens under 200 percent of poverty by subsidizing the cost with ARRA funds. Currently there are 12 people employed throughout the County Government - saving the County money and providing a valuable work experience for these citizens.

*Social Services continues to coordinate efforts to help Catawba County citizens become self-sufficient, even during a struggling economy.*

Social Services continues to be an advocate for the needy population in the community leading two new initiatives: The Children's Strategic Alliance and the Aging Leadership Planning Team. The former seeks to improve health and wellbeing for children in our community. The latter's objective is to promote a more livable senior community through community leadership and collaboration.



### ***Mental Health Partners***

Effective July 1, 2008, Mental Health Services of Catawba County and Burke County formally merged into a multi-county area authority called Mental Health Partners. This merger was a result of State mandated Mental Health Reform, which was phased in over four years. At the time of the merger, Catawba County was funding mental health services at over \$8 per capita compared to Burke's funding of \$1.69. In order to recognize these differences and ensure Catawba County funds were used to benefit our citizens, funding was separated into two parts--baseline and contract funding. Baseline funding annually matches that of Burke County on a per capita basis. Contract funding is over and above that contributed by Burke County for specific services to Catawba County citizens, and is subject to annual review based on needs.

For Fiscal Year 2010/11, Catawba County's baseline funding amount is \$262,482, or \$1.69 per capita, and will be used for core Mental Health services such as guardianship, law enforcement overtime costs associated with commitments, client emergency assistance, mental health services in the jail, sex offender therapy, gun permit evaluations, and psychiatric support. Services which exceed the baseline funds are subject to contract with Mental Health Partners on a year-to-year basis, based on need and performance. Contracted services for Fiscal Year 2010/11 total \$1,033,686 and will be split between Family N.E.T. (\$573,763) and Catawba Valley Behavioral Healthcare (CVBH) (\$459,923). Family N.E.T. specializes in children and family psychiatric services, while CVBH primarily serves the adult population.

A new State requirement for each service agency to become a Critical Access Behavioral Healthcare Agency (CABHA) as a result of Mental Health Reform will increase costs to Family N.E.T. and CVBH as a result of increased requirements and non-reimbursable services. The CABHA will require each agency to hire a Medical Director to oversee services, mandated trainings, and additional in-home service requirements that are non-reimbursable.

The budget also includes Catawba County's share of matching funds for a two-year grant for Burke County and Catawba County from the US Department of Justice Bureau of Justice Assistance to provide services to individuals in local jails struggling with mental illness. The purpose of the grant is to increase public safety through innovative cross-system collaboration for individuals with mental illness who come into contact with the criminal justice system. This is a combination planning and implementation grant, allowing first for the development of a community plan, followed by implementation.

### **WATER AND SEWER**

As the County's population continues to grow, so does the demand for clean drinking water and sewer. The County currently has approximately \$50 million in water and sewer projects proposed or requested by citizens and cities. To help address these needs, 1.5 cent of the property tax rate and \$1.3 million of the ¼ cent sales tax continue to be dedicated to funding strategic water and sewer needs in cooperation with municipalities. Water and sewer projects planned for Fiscal Year 2010/11 include:

- Highway 150 Sewer Phase II – \$1,205,000: Phase II of this project will provide gravity sewer service from Terrell to Marshall Steam Station along Highway 150. Phase III of this project, planned for Fiscal Year 2011/12, will provide sewer service from Marshall Steam Station east along Highway 150 to the Catawba River. Over the next 20 years, this project is expected to serve over 750 residences and over 100 businesses.
- Highway 16 North Water – \$370,000: This project will be constructed in cooperation with the Cities of Conover and Hickory. It will be the first phase of the River Bend Road water loop that will provide much needed potable drinking water, enhanced fire protection, and supply redundancy in the northeastern portion of the County. This phase will provide water service north along Highway 16 from Shell Hollar Road to St. Peters Church Road and will also provide a much needed inter-connect between the Hickory and Conover water systems to help maintain water quality and provide a potential back-up to both cities.
- EPA Stormwater Phase II - \$25,000: The State approved Stormwater Phase II Regulations which took effect July 1, 2007. Catawba County is responsible for administering the State Watershed regulations, which are considered a stormwater rule by the State.

## ECOCOMPLEX

The EcoComplex is a mix of public and private endeavors working in partnership to take advantage of the benefits provided through applied Industrial Ecology. Private companies have been recruited to locate within the EcoComplex provided they furnish economic and environmental benefits to the County. The overarching objective is to achieve zero-waste through the application of Industrial Ecology which continues to be a goal of the Board of Commissioners.

Construction on a Biodiesel Research and Production Facility began in the fall of 2009 and is expected to be completed in early fall of 2010. This facility will use the heat and electricity created by the County's existing co-generation units to heat and power the building. The County was also awarded a grant from the North Carolina Biofuels Center in the amount of \$150,000 to construct and equip a Feedstock Crushing Facility, which will employ a biodiesel process using crops grown and harvested around the landfill. Construction of the Feedstock Crushing Facility is scheduled for the summer of 2010.

County staff is currently working with GE-Energy and Nexterra Systems Corporation to develop a biomass energy facility that will use an innovative design to bring a Combined Heat and Power system capable of producing over two mega-watts of electricity from wood waste. Staff plans to bring this project before the Board of Commissioners for approval in Fiscal Year 2010/11.

In addition to these efforts, Catawba County continues to extract methane gas generated by buried Landfill refuse, which is then burned to generate electricity. In Fiscal Year 2009/10, the County's Landfill Gas to Energy Facility produced 14,797.2 megawatts of

*Fiscal Year 2009/10, the County's Landfill Gas to Energy Facility produced 14,797.2 megawatts of electricity that generated revenue of \$499,171.*

electricity that generated revenue of \$499,171. While selling the energy, the County retains the credit for producing clean energy. A Renewable Energy market is developing in the United States that involves the buying and selling of renewable energy 'credits'. As a result, the County also sells Green Credits through 3Degrees, a brokerage company that specializes in providing energy-trading services. Combined revenue from energy sales and green credit sales is in excess of \$518,000 annually. These innovations have helped to keep landfill tipping fees low.

Catawba County's solid waste operations continue to function as an enterprise fund requiring no tax revenue. County residents and businesses pay the lowest fees in the area, and the County's stewardship has resulted in extending the life of the Blackburn Landfill for at least 65 years.

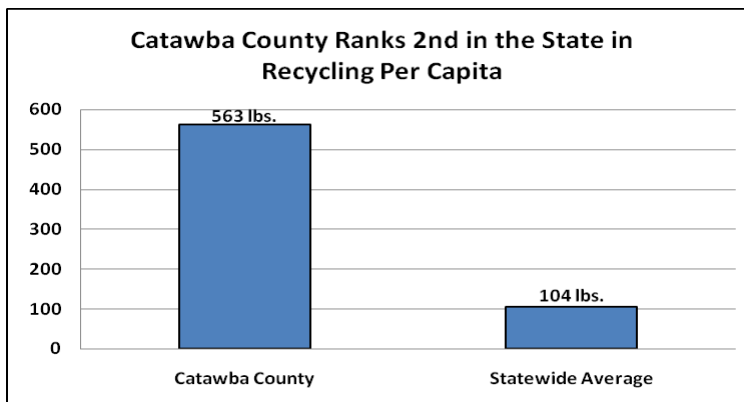
Below are the investments in the EcoComplex in the budget:

- Resource Recovery Facility – \$300,000: These funds are for the BioSolids Facility development and implementation, and utility provision for economic development projects within the Eco Complex.
- EcoComplex Utilities – \$75,000: This project will provide analysis of the water and sewer utilities including wastewater discharge reuse that will serve the EcoComplex and its components for a 30-year period. Capacity and costs will be examined to determine which municipality (Maiden, Hickory, or Newton) will best meet the long-term utility needs of the Ecomplex.
- Sludge Compost Facility – \$350,000: Catawba County owns 18.5 percent of the existing Sludge Composting Facility, and this project represents the County's anticipated share of the debt service, maintenance, and operational costs of the facility, and engineering assessment of the existing equipment to evaluate the feasibility of usage in the EcoComplex and Regional Biosolids Processing Facility. This project will close as the Biosolids Management Facility comes online in 2013/14 and replaces the Sludge Compost Facility.

## RECYCLING EFFORTS

Catawba County continues to be a leader in recycling, ranking 2<sup>nd</sup> in the state in 2009. The County recycled 563 pounds of material per person, nearly 5.5 times the state average of 104 pounds.

The budget continues to fund two Household Hazardous Waste events per year, held the first week in May at the Government Center and the first week in November at L.P. Frans Stadium in Hickory. These events provide an opportunity for citizens to dispose of residential household hazardous waste in an



environmentally sound manner. The event held in November 2009 had a total of 723 vehicles representing 1,059 households and over 90,000 pounds of hazardous waste was collected. At the most recently completed event in May 2010, 793 vehicles representing 1,081 households dropped off waste resulting in the collection of 41,362 pounds of electronic waste and 50,319 pounds of general household hazardous waste.

## **HUMAN RESOURCES**

### **Positions**

Thirty-nine positions are eliminated from the Fiscal Year 2010/11 budget:

- 7 Building Inspectors (4 abolished, 3 unfunded)
- 1 Permit Center Specialist (abolished)
- 1 Park Ranger (abolished)
- 6 Library positions (abolished)
- 1 GIS Programmer Analyst (abolished)
- 1 Technology Program Manager (abolished)
- 1 Office Support Specialist County Manager's Office (abolished)
- 1 Office Support Specialist Reappraisal Office (abolished)
- 1 Criminal Justice Academy Officer (abolished)
- 1 Cooperative Extension Agent (abolished)
- 3 Detention Officers (1 abolished, 2 unfunded)
- 2 School Health Nurses (abolished)
- 2 Half-time Medical Office Assistants (abolished)
- 2 Public Health Nurses (unfunded)
- 1 Public Health Educator (unfunded)
- 7 Social Services Positions (unfunded)
- 1 Solid Waste position (unfunded)

If service demands increase and funding is available, some unfunded positions could be filled. Abolished positions cannot be reinstated without approval of the Board of Commissioners.

The budget recommends 4.5 FTEs, 4 of which are supported by non-County funds:

- Home Health: 1 Home Health Nurse and 1 clerical position funded by fees for service due to an increase in demand for these services to help elderly citizens with medical needs to stay in their homes.
- WIC: 1 office support position and 1 breast feeding peer counselor funded through an increase in Federal funds.
- Environmental Health: Conversion of an hourly position to permanent half-time status.

### **Salary and Benefits**

The budget does not include a cost of living adjustment or performance pay for County employees for the second year in a row. A limited amount of funding continues to be included to address pay inequities to keep us competitive with other jurisdictions through our annual reclassification study.

For several years, the County was able to offer high-quality health insurance while keeping costs relatively low. Our claims experience was less than projected, which helped build funds to deal with expenses in future years. A comparison of Catawba County to other North Carolina counties showed that we were able to offer lower deductibles, co-pays, and out-of-pocket maximums than the benchmark average, while also keeping premiums lower than average, a benefit to both the County and employees. Unfortunately, this began to change in Fiscal Year 2008/09 and continued in the current year with a two-year increase of 42 percent in health claims and because of the rising cost of health care. In order to address these increased costs, employees will now have three plans to choose from for their health care needs instead of one, with varying levels of employee participation and risk. Two options are more traditional health insurance plans and the third is a Health Savings Account (HSA). All of the new coverage options have higher premiums than previous plans and the increased costs will be shared by both the County and employees, and a one-time lump sum contribution to either a flexible spending account or health savings account for employees will be provided.

The County's Wellness efforts continue to promote health and increase employee productivity. In order to identify health conditions at earlier stages when they are more easily treated and less costly, all adults on our health plan continue to be required to have annual blood screenings and a physical that meets guidelines of the American Medical Association (AMA) for their age group. The Employee Health Connection (EHC) saved about 630 hours in sick leave that would have been necessary for doctor's visits last year. Not only does this allow employees to use their time more efficiently, it also saves the County nearly \$13,000 in sick leave payments. Furthermore, with the ability to perform initial workers' compensation evaluations and also pre-hiring procedures such as drug screenings onsite, the County was able to save an additional \$13,000. Health is also promoted by offering programs and providing education on various health topics throughout the year during employee's lunch hours and after work, and cover topics such as healthy eating and handling stress.

## **CONCLUSION**

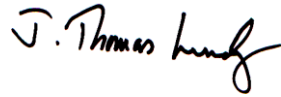
Catawba County continues to be strategic, yet very conservative, as it deals with the changing landscape in both the economic base and the growing population. This is a conservative budget that balances known state and local revenue reductions while continuing to meet increasing citizen needs resulting from the current economy. It ensures that critical services continue to be delivered, and keeps the County poised to attract new businesses and jobs.

While the recession appears to be ending, it will take some time for the economy to recover, creating continuing challenges for our citizens and County government. As we prepare to meet these challenges we will continue to be cautious to ensure the budget remains balanced and revenues are received before funds are spent. Targeted reductions to economically sensitive

services where demand has decreased have been made, as well as to non-essential services such as parks and libraries to ensure that education and public safety do not suffer. At the same time, we believe it is important to continue with planned investments that have low operating impacts. Low interest rates make this a good time to invest in needed infrastructure at lower long-term cost to the citizens and helps bring construction business to the community. Accordingly, the budget invests in public safety and water and sewer infrastructure.

This budget message, as well as the complete budget document, may be accessed on the Internet at [www.catawbacountync.gov](http://www.catawbacountync.gov) or any of the public libraries in Catawba County.

Respectfully Submitted,

A handwritten signature in black ink, reading "J. Thomas Lundy". The signature is written in a cursive style with a large, stylized "J" and a long, sweeping underline.

J. Thomas Lundy  
County Manager